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Message Text

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11
ACTION NEA-09

INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03 PA-01 PRS-01

USIA-06 /089 W
---------- 006329
R 230845Z JAN 75
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 2490
INFO AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY TEHRAN

C O N F I D E N T I A L ABU DHABI 0185

E.O. 11652: GDS
TAGS: ENRG, TC
SUBJ: FORTHCOMING ABU DHABI-PRODUCING CO. DISCUSSIONS

REF: A. ABU DHABI 179; B. ABU DHABI 113

1. SUMMARY: DISCUSSIONS TO BE HELD IN PARIS LATE JANUARY BETWEEN PRODUCING COMPANIES AND GOVT WILL INVOLVE BUY-BACK AND PRICE AGREEMENTS FOR 1975, NOT ISSUE OF PARTICIPATION. SEVERAL RESIDUAL PROBLEMS LEFT OVER FROM 1974 FORTHER COMPLICATE PROBLEMS TO BE FACED, HOWEVER, AND IT APPEARS THERE MORE THAN ENOUGH KEEP BOTH SIDES BUSY. END SUMMARY.

2. AS REPORTED REF A, ABU DHABI GOVERNMENT (ADG) OFFICIALS (MINPET OTAIBA AND HIS UNDER SECRETARY FOR ABU DHABI DEPT PET, ABDULLAH ISMAIL) PLANNING TRAVEL TO PARIS IMMEDIATELY AFTER ALGIERS OPEC MEETING TO DISCUSS WITH ABU DHABI PETROLEUM CO (ADPC) AND ABU DHABI
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MARINE AREAS (ADMA) REPRESENTATIVES BUY-BACK AND PRICE ARRANGE

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MENTS FOR AS YET UNDETERMINED PORTION CY 75. ISMAIL TOLD DCM DEC 19
THAT DISCUSSIONS WOULD DEFINITELY NOT REPEAT NOT INCLUDE QUESTION
OF 100 PER CENT PARTICIPATION--AS REPORTED REF A, ADG HAS DECIDED
DEFER THIS ISSUE FOR PRESENT.

3. THERE WILL NEVERTHELESS BE MUCH TO DISCUSS AND HOPEFULLY RESOLVE.
ISMAIL TOLD DCM THAT DISPUTE WITH COMPANIES REGARDING BUY-BACK
PRICE ON OVERLIFTINGS IN THIRD QUARTER 74 (ABU DHABI 1376, OCT. 74)
HAS STILL NOT BEEN RESOLVED. MOREOVER, BOTH COMPANY REPS AND
ISMAIL ACKNOWLEDGE THERE IS DISPUTE OVER MEANING OF 40-40-20
ARRANGEMENT AGREED TO FOR FOURTH QUARTER. COMPANY'S TAKING POSITION
THAT THIS MEANS THEY ENTITLED TO 40 PER CENT CURRENT PRODUCTION CEIL-
ING AS EQUITY CRUDE--E.G. ADMA IN ITS VIEW ENTITLED TO 168,000 BPD
OF 420,000 BPD CEILING IMPOSED IN SEPTEMBER. COMPANIES THEREFORE
ARGUE THAT IF THERE ARE UNDER LIFTINGS THESE FALL TO BUY-BACK
SHARE AND/OR ABU DHABI NATIONAL OIL COMPANY'S (ADNOC) 20 PER CENT.
ISMAIL ON OTHER HAND STATES THAT SEPT. PRODUCTION LEVELS WERE INDEED
CEILINGS NOT FLOORS AND THAT ADG-COMPANY AGREEMENT PROVIDES FOR
EQUITY/BUY-BACK LIFTINGS ON A ONE FOR ONE BASIS REGARDLESS OF REDUC-
TIONS IN TOTAL LIFTED. ISMAIL ACKNOWLEDGED THAT UNDER FOURTH AGREE-
MENT COMPANIES UNDER NO OBLIGATION BUY BACK ANY PORTION OF ADNOC'S
SHARE WHICH LATTER UNABLE TO MARKET--IT WOULD SIMPLY BE LEFT IN
GROUND--NOR WOULD MAXIMUM TOTAL AVAILABLE TO COMPANIES BE AFFECTED BY
ADNOC UNDERLIFTINGS. BUT FOR ADG STANDPOINT, FOR EVERY BARREL OF
EQUITY CRUDE COMPANIES WERE OBLIGATED TO TAKE ONE OF BUY-BACK.

4. IN ADDITION TO THESE TWO QUESTIONS, THERE IS BASIC ONE OF BUY-
BACK PRICE TO BE CHARGED AS HIGHLIGHTED REF B. ISMAIL EXPRESSED VIEW
THAT COMPANIES MAKING MISTAKE IN CUTTING BACK PRODUCTION IN EFFORT
PUT PRESSURE ON ADG PRIOR TO DISCUSSIONS. WHILE ACKNOWLEDGING THERE
IS REDUCED DEMAND FOR ABU DHABI CRUDE, ISMAIL FELT COMPANIES IN
MAKING CUTS ACTING LARGELY FOR POLITICAL REASONS. (FACT THAT OTAIBA,
IN TALKING TO AMBASSADOR, REF A, PUT STRESS ON NEED CUT PRICES WOULD
INDICATE EITHER THAT ADG NOT SO CERTAIN AS TO EXTENT COMPANY BAR-
GAINING TACTICS INVOLVED IN LATEST CUT BACK'S OR AT LEAST THAT
OTAIBA AND ISMAIL DISAGREE ON THIS POINT.) HE SAID ADG HAD PROPOSED,
DURING LONDON DISCUSSIONS FOLLOWING VIENNA OPEC MEETING, CONTINUING
FOURTH QUARTER 40-40-20 ARRANGEMENT WITH BUY-BACK REMAINING AT 93
PER CENT OF POSTED. COMPANIES HAD PROMISED CONSIDER QUESTION BUT HAD
HEVER RESPONDED. INSTEAD AS SOON AS QUARTER ENDED THEY HAD CUT
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PRODUCTION. THIS ISMAIL FELT TO BE UNFAIR AND BAD TACTICS. COMPANIES,
ON OTHER HAND, UNDOUBTEDLY FEEL THAT ISSUES, INCLUDING THOSE NOTED
ABOVE, CARRIED OVER FROM 74, NEED TO BE PRESSED TO HEAD. OBVIOUSLY,
EVEN WITHOUT PARTICIPATION ON AGENDA, PARIS MEETING SHOULD HAVE
PLENTY TO FOCUS ON.
STERNER

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